



The Real Estate TRENDS

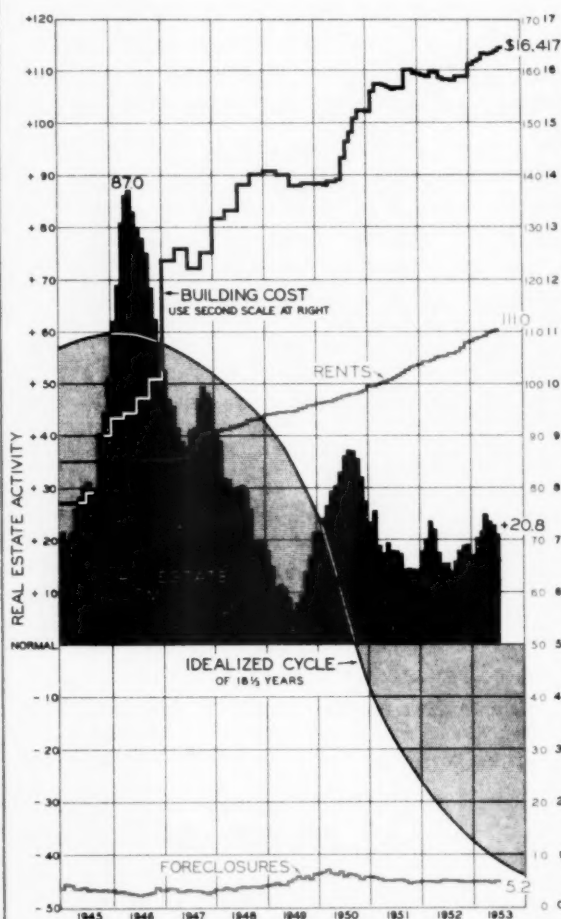
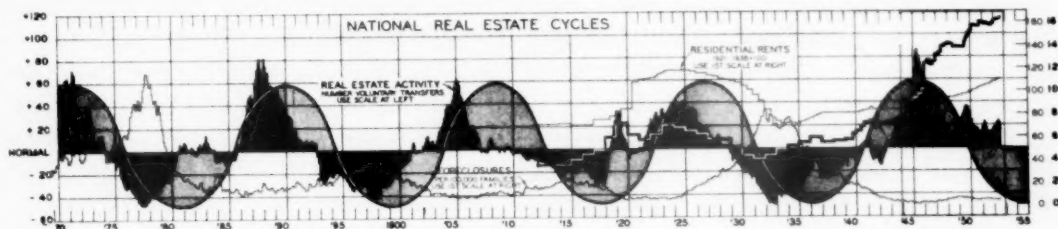
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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS



REAL ESTATE ACTIVITY

After correction for seasonal fluctuations, real estate activity was lower than it has been since last October. It is higher, however, than it was in July 1952, the low point in the past 3 years. The first 7 months of 1953 have averaged considerably better than the first 7 months of 1952.

REAL ESTATE MORTGAGE ACTIVITY

The first part of 1953 has been running ahead of the corresponding period of 1952. The present level is approximately 10% above the level of a year ago.

REAL ESTATE SALES PRICES

Surprisingly, the sales prices of single-family residences sold in July showed a marked increase above those sold in the earlier months of the year.

RESIDENTIAL BUILDING VOLUME

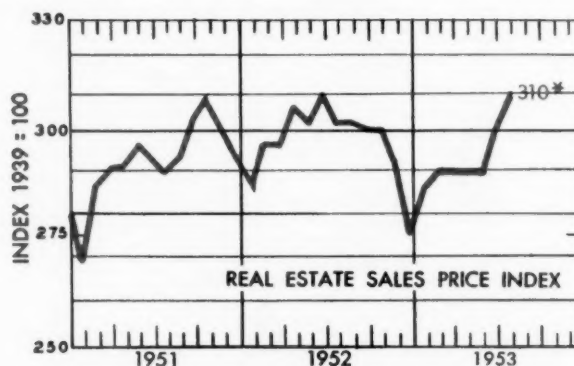
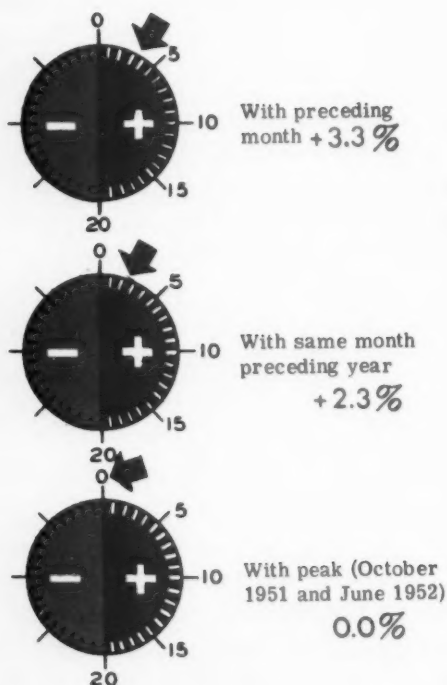
After correction for seasonal fluctuations, the rate at which new dwelling units are being built in the nonfarm areas of the United States has remained remarkably steady during 1953, fluctuating between 28.7 and 29.0 new dwelling units built per 1,000 families. The rate for July was higher than for July 1952.

SELLING PRICES OF SINGLE - FAMILY RESIDENCES

THE behavior of our selling price index for July is quite peculiar. We were assuming that real estate was being sold with greater difficulty, and that the prices being secured were somewhat below the peak. A sudden flurry, however, in the last few months seems to have carried selling prices up to the level of June 1952, which was the all-time peak, with some chance that the figures for August will exceed the June 1952 figures.

Whether this rise in our index is due primarily to the demise of rent control, with higher rents making many persons conscious of the advantages of home ownership, or whether it is due to labor difficulties in the building field which, during the summer in a number of cities had limited the volume of new building, it is difficult to say. The probability is that it is the result of many factors, among which, of course, is the fact that the cost of living has continued to rise, meaning that the value of our dollar has continued to go down. If we had a dollar of constant purchasing power, it would be apparent that the peak of real estate prices was in 1946, and that the continuing boom in real estate since that time is due largely to the illusion of securing more dollars for a piece of property, the aggregate purchasing power of which is less than the number of dollars which could have been received 7 years ago.

REAL ESTATE SALES PRICE COMPARISONS IN JULY 1953



| Date | Selling price index | Probable selling price of a house that sold for \$5,000 in 1939 |
|--------------------------|---------------------|---|
| 1939 | 100 | \$ 5,000 |
| 1940 (2nd half) | 110 | 5,500 |
| June '52 & Oct. '51 peak | 310 | 15,500 |
| Dec. '52 | 276 | 13,800 |
| Jan. '53 | 287 | 14,350 |
| Feb. '53 | 290 | 14,500 |
| Mar. '53 | 290 | 14,500 |
| Apr. '53 | 290 | 14,500 |
| May '53 | 290 | 14,500 |
| June '53 | 300 | 15,000 |
| July '53 | 310* | 15,500* |

*Preliminary.

THE TREND OF RENT LEVELS WILL BE UP FOR MANY YEARS

THE chart on the double spread immediately following shows the relationship of rents, wages and the cost of living in the United States from 1915 to the present.

On this chart the 18-year period from 1921 to 1938 has been considered as normal, or 100. An 18-year period was used which contained 9 good years and 9 bad years. It is always easy to chart any information to prove a particular case if a single year can be selected for a base. If a low year is selected as a base, it would make it appear that the item charted has been advancing rapidly in price. If a high year is selected, it would make it appear that the present level is not very high. As any statistician knows, the best base is one complete cycle containing the good and the bad periods averaged together.

A study of this chart is quite interesting. It shows that rents, depicted by the solid red line, dropped for 2 years longer during the thirties than food, clothing, household furnishings, fuel and light, and wages. In other words, these other items reached their lows in 1933, while rents continued to go down until 1935.

In the last half of 1933 all of these other items had a sudden and rapid rise, while rents rose very slightly during the next 8 years. Rent freezing then sent them back to a lower level, and for 5 years rents showed no advance, while the other items in the cost of living were moving up rapidly. From the fall of 1947 to the present time, rents have been rising, until the July 1953 index is 111.0, or 11% above the 18-year average. On the other hand, all items of the cost of living are now 75% above the 18-year average; food is 99.5% above; clothing, 81.8% above; fuel, electricity and ice, 40% above; household furnishings, 101.8% above; and the miscellaneous items in the budget, 76.9% above.

Wages, according to the index of the Federal Reserve Bank of New York, are now 191.6% above the 18-year average.

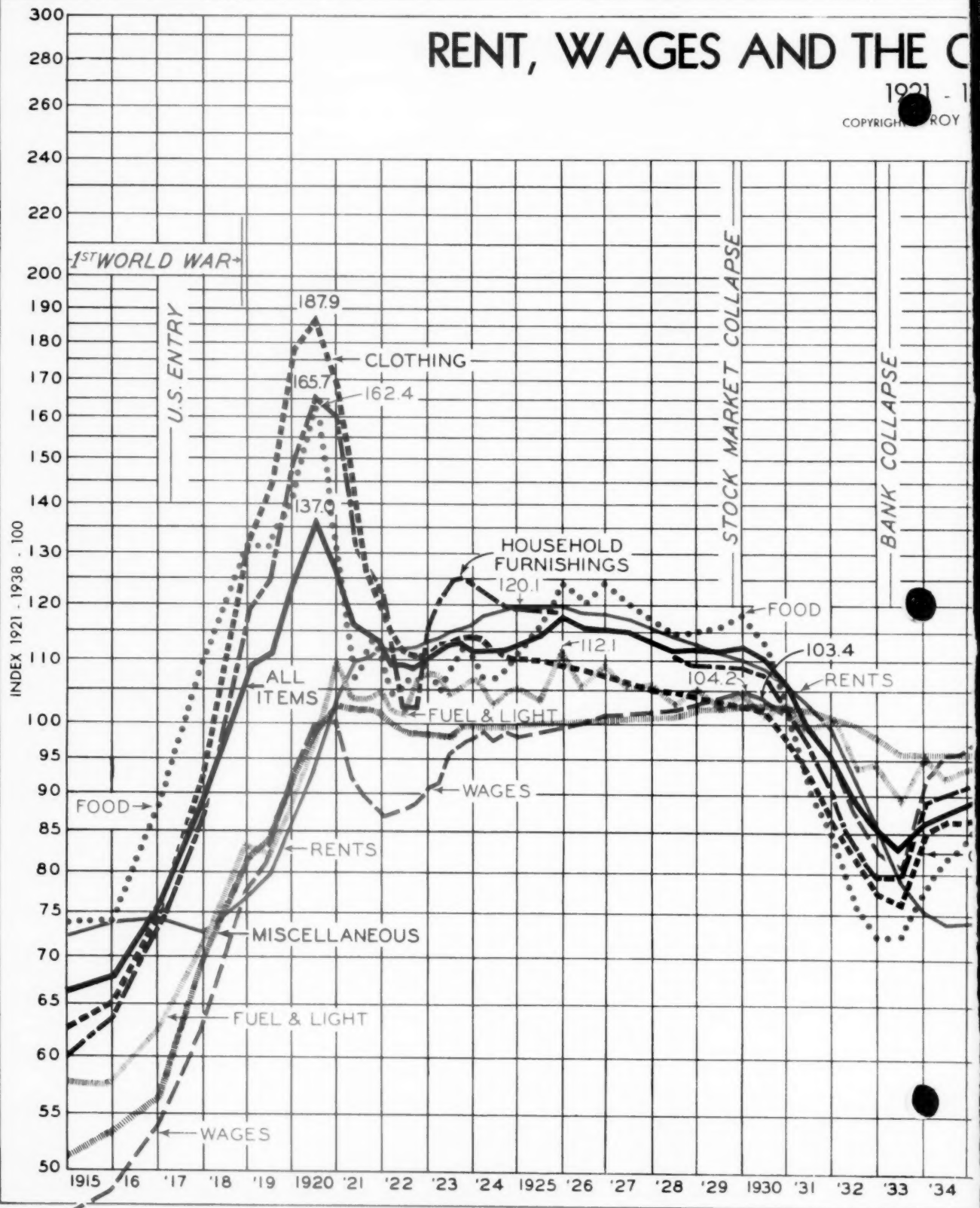
It seems inevitable that unless some cheaper method can be found for building shelter and for maintaining and operating it when built, rents must advance further over a period of years by a considerable amount.

Up to the present time, however, no cheaper method of building shelter has been found; in fact, the cost of building has advanced faster than the other elements in the cost of living, due probably to the large increases in wages in the construction industry.*

*"As I See It - Are Construction Costs Too High?" Real Estate Analyst Service, June 19, 1953, page 239.

RENT, WAGES AND THE C

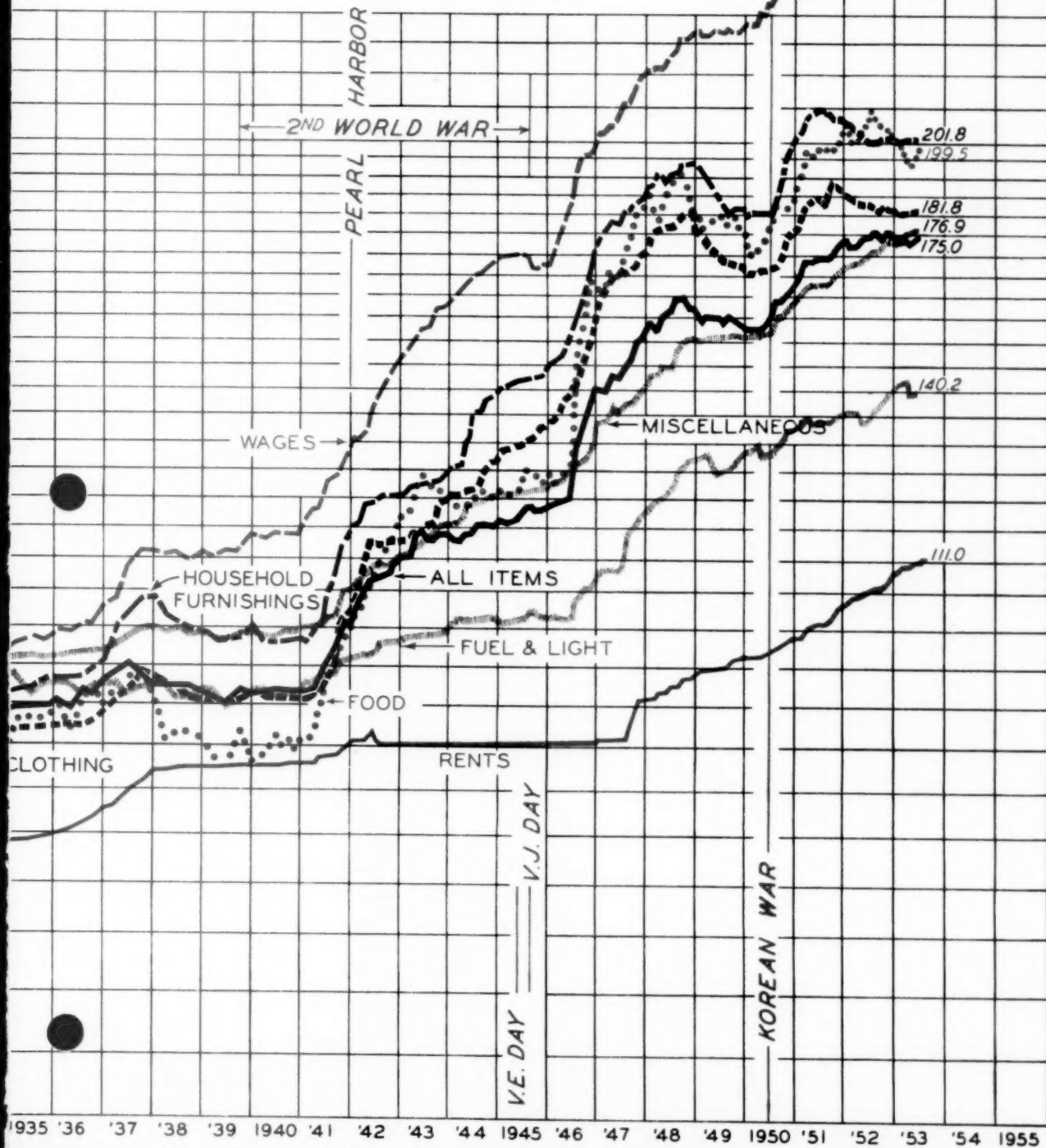
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COST OF LIVING IN THE U. S.

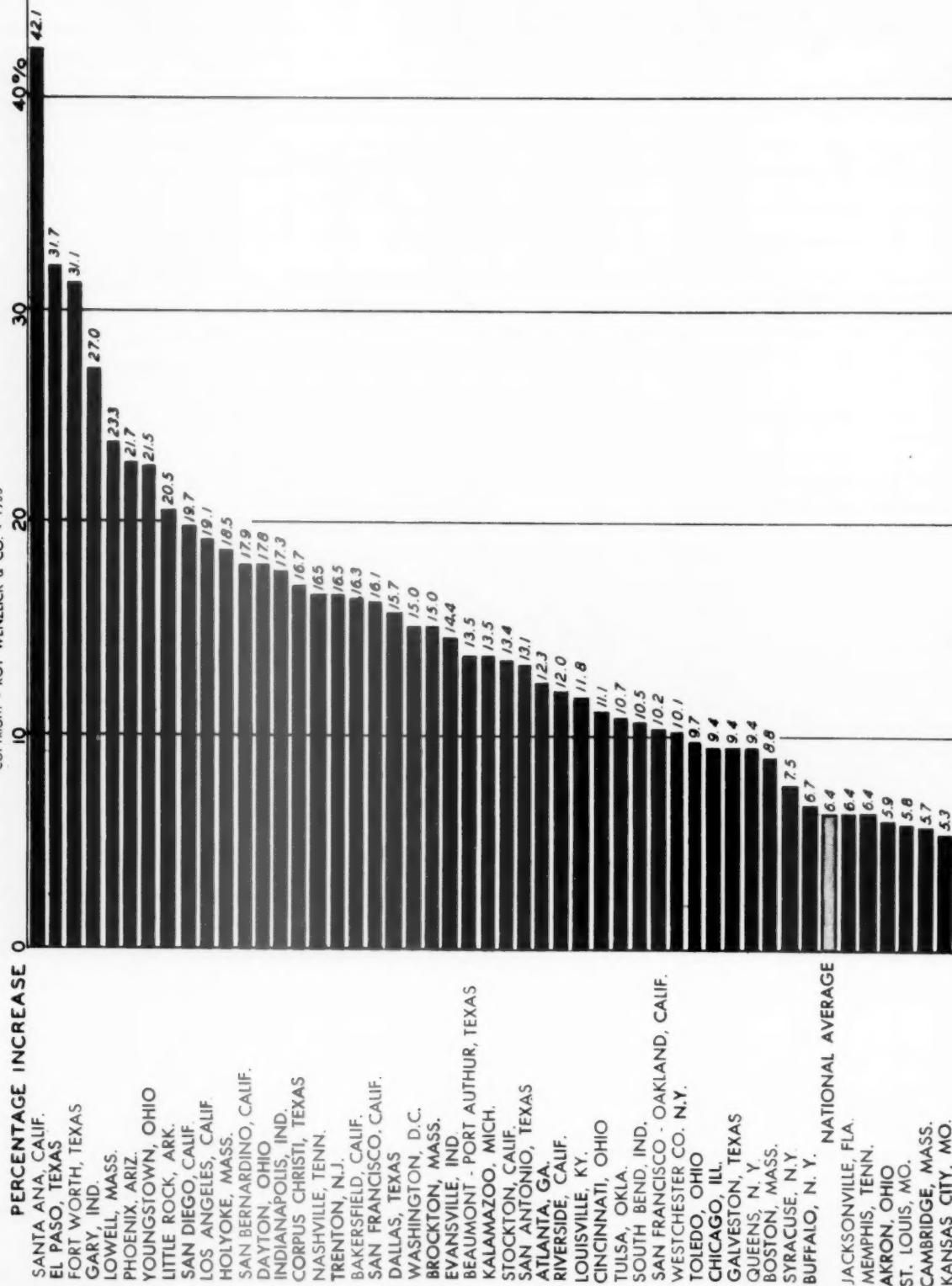
1938 = 100

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PERCENTAGE CHANGE IN MORTGAGE ACTIVITY

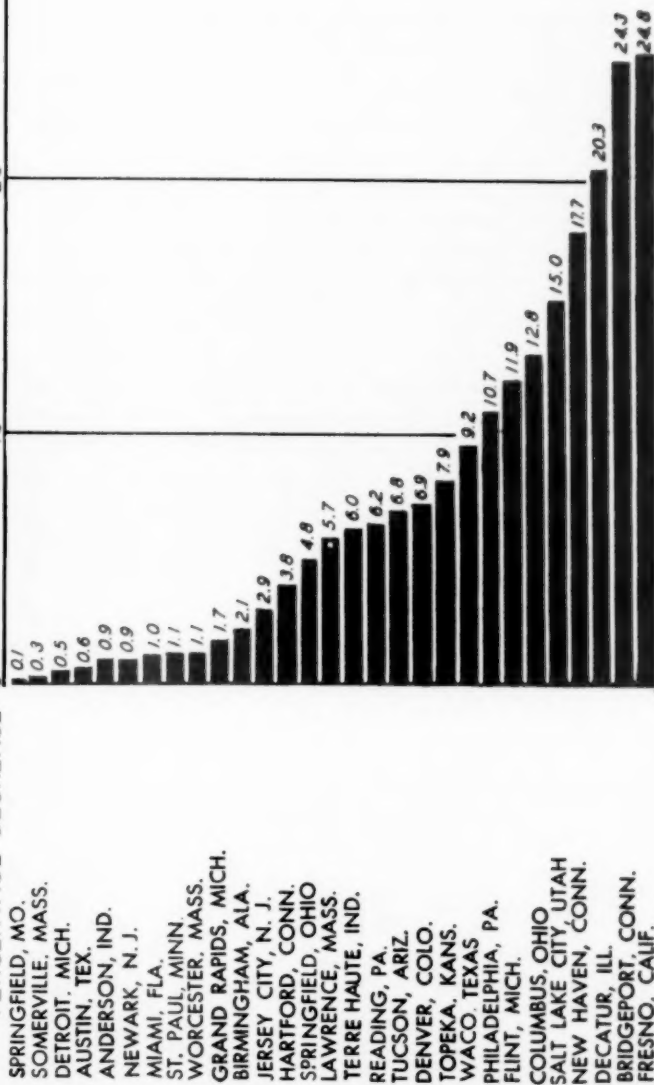
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PERCENTAGE INCREASE



PERCENTAGE DECREASE



(See explanation on page 352.)

CITY- BY-CITY VARIATIONS IN MORTGAGE ACTIVITY

MORTGAGE activity varies greatly from city to city. A study in the current issue of the Real Estate Analyst charts mortgage activity from 1940 to the present for 100 cities of the United States. On the average in these cities, mortgage activity has been rising since September 1951, but some cities have shown a decrease in the relatively recent past, and in some cities the rise has been far greater than the average of the group.

There is also a great difference in the relationship of the number of mortgages recorded in these cities to the number of families. In one city there was one mortgage recording per year for each five families in the city. In the average of all cities there was one mortgage recorded for each 10 families in the city, and in the lowest city, exclusive of the borough of Manhattan, New York, there was one mortgage recorded for each 34 families. On Manhattan Island there was only one mortgage recorded per year for each 136 families.

The very small number of mortgages recorded on Manhattan Island is easily explained by the fact that Manhattan is built up almost entirely with large office buildings and apartments, and one mortgage would cover a very large property.

The percentage change in mortgage activity shown on the charts for the various cities compares the 1953 experience with the corresponding period of 1952. In looking at this chart it should be kept in mind that a big percentage change may be due to abnormal conditions which existed either last year or this year.

The largest percentage of increase in the mortgages recorded in 1953 in contrast with the corresponding period of 1952 is in Santa Ana, California, which shows a mortgage rate 42.1% higher than that of 1952. The average of the 95 cities shown on the charts is an increase of 6.4% over the corresponding period of a year ago. Fresno, California, showed the largest percentage of drop, the 1953 recording rate on mortgages being 24.8% below the rate in the comparable period for 1952.

In 65 cities, mortgage activity in 1953 was above mortgage activity for the comparable period of 1952. In 29 cities, mortgage activity in 1953 was below mortgage activity for the same period in 1952. One city, Davenport, Iowa, had exactly the same rate of mortgage activity this year as it had in the comparable period of a year ago.